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May 31, 1996

BY HAND DELIVERY

Mr. William F. Caton Acting Secretary Federal Communications Commission 1919 M Street, N.W. Room 222 Washington, D.C. 20554

MAY 3 1 1996

Re:

Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1992: Rate Regulation

CS Docket No. 96-60

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Dear Mr. Caton:

Transmitted herewith on behalf of Blab Television Network, Inc. are an original and 11 (eleven) copies of its "Reply Comments of Blab Television Network, Inc." as directed to the Commission

Should any additional information be required, please contact this office.

Very truly yours

Henry E. Crawford

Counsel for

Blab Television Network, Inc.

cc: The Commission

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BEFORE THE

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C.

In the Matter of

Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1992: Rate Regulation

Leased Commercial Access

To: The Commission

MAY

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CS Docket No. 96-60

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REPLY COMMENTS OF BLAB TELEVISION NETWORK, INC.

Henry E. Crawford

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Counsel for Blab Television Network, Inc.

May 31, 1996

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SUMMARY

Blab Television Network, Inc. ("Blab TV") herein files its reply comments in connection with the Commission's leased commercial access proceeding.

Most commentors appear to support the Commission's attempt to bring reform to leased commercial access. With this reform will come a host of new local programming opportunities, and the intent of Congress to create diversity in the video marketplace will be furthered. Nevertheless, a minority of commentors consisting of cable operators and national programmers, have attempted to mischaracterize leased commercial access programming as being either low in quality or not economically viable. Blab TV soundly rejects these notions.

The experience of Blab TV and other leased access commentors points to the need for simplicity in the rate structure. A complex rate structure is itself a barrier to market entry. Blab TV joins those commentors advocating a low fixed rate. It also joins those who have expressed the need for long term contracts. Finally, Blab TV believes that leased access programmers should be afforded discretion to conduct business on their leased channels by reselling commercial time

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To: The Commission

REPLY COMMENTS OF BLAB TELEVISION NETWORK, INC.

Blab Television Network, Inc. ("Blab TV"), by counsel, respectfully submits its *Reply Comments of Blab Television Network, Inc.* in accordance with the procedures specified by the Commission in its March 29, 1996 *Order on Reconsideration of the First Report and Order and Further Notice of Proposed Rulemaking* ("Reconsideration Order"). In support thereof, the following is stated:

I. ARGUMENT

A. The Cable Operators and National Programmers Have Unfairly Characterized the Quality of Local Leased Access Programming

1. Many, if not most, commenting parties support the Commission's efforts to bring reform to the Commission's leased commercial access regulations. However, the cable operators and national programmers, marching

¹ See, e.g., Comments of The Association of America's Public Television Stations and The Public Broadcasting Service; Comments of the Community Broadcasters Association; Comments of Center for Media Education, Alliance

in lockstep, charge that leased commercial access programming is either not economically feasible² or presents inferior quality programming.³ This gross mischaracterization is illustrated by the sweeping assertion that:

[I]t is the distributors of direct marketing video formats such as program-length commercials (e.g., for local real estate dealers, national distributors of exercise equipment, get-rich-quick investment schemes, etc.) and promotions for "900-number" phone services or for gambling services who are among the strongest supporters of lower LCA rates

Comments of C-Span and C-Span 2, p. 7. Blab TV submits that such groundless charges do a great disservice to the small companies and

for Community Media, Association of Independent Video and Filmmakers, Consumer Federation of America, National Association of Artists' Organizations, United States Catholic Conference; Comments of Hispanic Information and Telecommunications Network, Inc.; Comments of Access Television Network; Comments of Valuevision International, Inc.; Letter from Lincoln Diaz-Balart; Comments of R K Production Company; Comments of Ambassadors for Christ; Comments of Sherjan Broadcasting Commission, Inc.; Comments of Asiavision, Inc.; Comments of TV-61 San Diego, Inc.; Comments of Erwin Sacla Broadcasting Corporation; Comments of Video Information Providers for Nondiscriminatory Access (VIPNA); Comments of the Bruno Goodworth Network Inc. d/b/a WBGN-TV; Comments of Broadcasting Systems, Inc.; Comments of WEVU-LP; Comments of the Vacation Channel, Inc.; Comments of Landmark Broadcasting, Ltd.; Comments of United Broadcasting Corporation, d/b/a Telemiami; Comments of Viking Communications, Inc.; Comments of Mark Kliem; Comments of Metropolitan Dade County; Comments of Sunbelt Video, Inc.; WZBN TV-25 (W25AW) a LPTV Station Licensed to Trenton, New Jersey; Comments of Visual Media Productions, Inc.; Comments of Island Broadcasting Co.; Comments of Vernon Watson; Comments of BCB Broadcasting, Inc.

- ² See, e.g., Comments of Continental Cablevision, Inc. p. 2, (quality video programming is too expensive to produce for leased access); Comments of ESPN, Inc., p. 4 (leased commercial access programming lacks "sufficient consumer attractiveness to earn carriage").
- ³ Comments of Continental Cablevision, Inc. p. 4 (leased commercial access programs are "less desirable"); Comments of Multimedia Cablevision, Inc. and Susquehanna Cable Co. p. 7 (leased commercial access programming lacks "audience appeal").

entrepreneurs who have appeared in this docket seeking only to bring locally based programming to their communities. As will be demonstrated below, locally oriented programming is at least as meritorious as national programming and one could, indeed, make similar observations concerning the typical fare found on most national cable channels.

- 2. The cable operators and national programmers collectively embrace the Commission's "highest implicit fee" formula.⁴ They do so because it has been used successfully to create the self-fulfilling prophecy that leased commercial access is not viable. Leased commercial access has been kept to a minimum because the rates computed under the highest implicit fee formula are per se unreasonable. The cable operators' enthusiastic support of the highest implicit fee formula is proof of its effectiveness as a tool to block local leased access programming. The concern visible among the cable operators and national programmers commenting in this docket is that perhaps now, local leased access programming will have a fighting chance.
- 3. Blab TV agrees with R K Production Company that the cable operators' opposition to reasonable leased access fees arises out of fear of increased competition.

[b]ecause cable operators are also permitted to be programmers, they are in competition with leased access programmers for channel space and for audience share.

See, e.g., Comments of The National Cable Television Association, Inc., pp. 18-21; Comments of Adelphia Communications Corporation, Century Communications Corp., Falcon Holding Group, L.P., Insight Communications, Inc., Lenfest Communications, Inc., pp. 6-8; Comments of Comcast Cable Communications, Inc., p. 9-14

Comments of R K Production Company, p. 2. In the case of large nationally based cable operators, this competition may exist in terms of both local and national programming.⁵ Additionally, cable operators maintain local sales offices which are in direct competition with leased commercial access providers in terms of local advertising dollars. Seen against this background, leased commercial access competes with the cable operator, and the revenue received from leased access is minimal compared to this perceived competition.

4. The cable operators and national programmers present a bleak picture of leased commercial access. Producers of national programming make the incredible argument that an increase in local programming will actual decrease program diversity.⁶ Some commentors write as if local community programming does not or could not exist ⁷ These observations are belied by the actual programming presently being delivered by the handful of leased commercial access programmers who have been fortunate to find cooperative, community minded cable systems. As demonstrated below, this programming stands as a complete refutation of the mischaracterization presented by the cable operators and national programmers.

For example, Time Warner's Sports Illustrated is apparently preparing to launch a new network called CNN/SI. Accordingly, Turner is said to offer decreased license fees for CNN to those operators who also carry CNN/SI. Comments of Video Information Providers for Non-discriminatory Access (VIPNA), p. 5.

⁶ Comments of Liberty Sports, Inc., p. 1; Comments of Viacom, Inc., p. 2 (diverse programming already exists by virtue of national programmers); Comments of ESPN, Inc., p. 3. That argument is comparable to the saying that you could buy a Model-T Ford in any color - so long as it was black.

In its Comments, Viacom, Inc. refers throughout to leased access programmers bumping "existing" programmers. See, e.g., Comments of Viacom, Inc., p. 2. In its Comments, Radiant Productions, Inc. argues that "...in many areas a leased commercial access marketplace does not exist." Comments of Radiant Productions, Inc.,

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B. Commercial Access Programming is Good Quality Community Oriented Programming

- 5. In contrast to the grim and fallacious portrayal of leased commercial access programming offered by the cable operators and national programmers, commercially viable local programming is attractive to consumers, high in quality and presents true community service.
- 6. In contrast to the speculation of some commentors,⁸ Blab TV is able to demonstrate that locally oriented programming <u>adds</u> subscribers to cable systems. In January of 1986, the Group W Cable operation in Mobile, Alabama felt compelled to thank Blab TV for adding 311 new subscribers to its cable system (of which 217 purchased additional services other than basic cable).⁹ These subscribers came to the system because of the inherent appeal of local programming. Good quality local access programming brings greater viewership to cable systems.
- 7. Local leased commercial access programming competes favorably with national programs in terms of ratings. While Blab TV does not regularly subscribe to ratings services, the data that exists show Blab TV's local programming to compete with national programming. A Nielsen survey of Pensacola, Florida taken in 1986 showed Blab TV to be ahead of CNN, MTV, ESPN and others in terms of audience share ¹⁰ In a subsequent survey taken in

⁸ Comments of Time Warner, pp. 14-15 (leased access programming will reduce the number of system subscribers as the result of its low or "negative" consumer appeal); Comments of Continental Cablevision, Inc. p. 7 (leased access programming will result in substantial losses in penetration and subscriber revenue); Comments of ESPN, Inc. p. 3 (lost subscribership not incorporated into the Commission's formula)

⁹ Exhibit 1.

¹⁰ Exhibit 2.

St. Petersburg, Florida, Blab TV scored as high or higher than Discovery, ESPN, MTV or Showtime.¹¹ In 1988, the Pensacola News Journal paid for a survey to be conducted by a major marketing firm. That survey demonstrates that local access programming is attractive to viewers and adds value to cable systems.¹² These conclusions are in accord with the findings made in a later, 1991 survey taken in Sarasota, Florida.¹³

8. The hard data presented by Blab TV with respect to the consumer appeal of local programming should be contrasted with the wholly speculative "survey" offered by Continental Cablevision, Inc. The survey questions, as written, are clearly loaded. For example, the question on leased access is preceded by the following language:

Leased access channels are channels that are required to be carried by your cable company. These channels are available to the public so that someone can buy air time on a channel. Unlike the channels which are selected by your cable company based upon expected popularity, these channels are programmed at the sole discretion of the person buying time. Typically, this programming focuses on various topics such as infomercials, home shopping, and ethnically oriented programs.

Continental Cablevision Survey. This is hardly a scientifically drafted question.

Questioners are asked to choose between shows that have been chosen for their "expected popularity" and those that are "required" to be carried such as "infomercials, home shopping, and ethnically oriented programs." The results of such a survey should be of no surprise to anyone. 14 Thankfully, Blab TV is able

¹¹ Exhibit 3.

¹² Exhibit 4.

¹³ Exhibit 5.

The second question is even more stilted. There, the Commission is portrayed as an entity "which governs your local cable company." This entity, we

to offer hard evidence based on actual experience with community oriented programming. That experience demonstrates that people do watch and appreciate local programming.¹⁵

9. The cable operators and national programmers would have the Commission believe that local programming must be either poor in quality or of no interest to the community. 16 That largely speculative reasoning is belied by the showing made here by Blab TV. Additionally, in order to make it perfectly clear that local programming is quality programming, Blab TV is simultaneously filing a brief sample video tape of its programming. Any party wishing a copy of the tape should contact undersigned counsel.

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are told, is proposing to eliminate channels such as "Comedy Central", "The Family Channel", "Lifetime", etc. With this background, the respondants are asked "Do you favor these changes?" One only wonders who the 19 people were who answered "Yes." This "survey" is a total sham and the results should be disregarded by the Commission.

¹⁵ Blab TV's data is in accord with the experience of the Vacation Channel, Inc. The Vacation Channel states that its programming is 100% local and "our community is thrilled with what we do." Comments of the Vacation Channel, Inc. p. 2. Because of its exemplary programming, it is carried for free on two local cable services. Id. However, it reports that a third service refuses to carry it at

[&]quot;any price."

Time Warner contends that local leased access programming causes "serious harm to consumers and programmers." Comments of Time Warner Cable, p. 29. The only support offered for this sweeping charge is an anecdote involving a nude dancing show that found its way onto a system in Rochester, New York. It is an insult to local access programmers for Time Warner to offer up this anecdote as the "legacy of commercial leased access." Comments of Time Warner Cable, p. 32.

C. The Commission Should Simplify the Rate Structure by Setting a Low Initial Rate

1. An Initial Fixed Rate Structure Would Simplify Access to Cable Systems

10. A simplified rate system will bring more quality programmers into leased commercial access programming. A complex system, laden with obtuse economic formulas, based on information within the exclusive domain of the cable operators, will discourage the entry of commercially responsible leased access programmers. This is well supported by the comments filed in this docket.¹⁷ As stated by the United Broadcasting Corporation, d/b/a Telemiami:

The Commission's proposed opportunity cost formula is logical in theory. In practice, however, the calculation of the opportunity costs will be extremely complicated to perform and just as difficult to verify.

Comments of United Broadcasting Corporation. d/b/a Telemiami, p. 5.

11. In view of this structural barrier to leased commercial access, several of the commentors who have actually put this programming on-the-air have proposed a fixed flat rate. Blab TV believes that an initial rate no greater than \$0.08 per subscriber per month would be sufficient to create an environment for quality leased access programming. If, in a specific situation,

¹⁷ Comments of the Community Broadcasters Association, p. 2 ("CBA also believes that the proposed regulatory structure is too complex in the form presented in the FNPRM and that considerable simplification is needed to avoid creating a whole new series of disputes and litigation."); Comments of The Center for Media Education, Alliance for Community Media, Association of Independent Video and Filmmakers, Consumer Federation of America, National Association of Artists' Organizations, United States Catholic Conference, p. 11; Comments of the Vacation Channel, Inc., p. 3; Comments of Mark Kliem, p. 4.

18 See, e.g., Comments of the Vacation Channel, Inc., p. 3 (no more than \$0.10 per subscriber per month); Comments of WZBN TV-25 (W25AW) a LPTV Station Licensed to Trenton, New Jersey, p. 2 (no more than \$0.05 per subscriber per month).

an operator believes that there are costs or losses involved in the leased access carriage, that operator can seek an increase from the Commission based upon an adequate showing in an adversarial proceeding involving all of the parties.

- 12. Blab TV's rate system would reduce or eliminate a number of issues presented by leased commercial access programming. Responsible entrepreneurs will be able to develop rational business plans by knowing in advance what the leasing costs will be. There will be no confusion and no way to use rates to keep out local programming. It will allow programmers to focus on product, not litigation. And, as will be shown below, the operators will be relieved of administrative burdens, while maintaining an adequate remedy before the Commission. It will allow the leased access programmer to have as much knowledge and consistency in following a business model as that enjoyed by the cable operators in purchasing programming from national sources at established rates.
- 13. Blab TV's proposal would create a rational business environment for the development of leased commercial access programming while also protecting the rights of cable operators against undue costs and losses. Absent a simplified business model as the one suggested by Blab TV, it may well be "pollyannaish"²⁰ to expect this form of quality programming to grow. With such a model in place, local programming will spread across the American landscape and fulfill the intent of Congress to increase program diversity.

The rank arbitrariness of the present system is no more visible than in the wide disparity and inequity that exists between similarly situated cable operators. As noted in the Comments of The Vacation Channel, p. 2: "Two area cable companies...carry us at no charge, and are very good to work with. Cablevision, Inc. refuses to carry us at <u>any</u> charge (emphasis supplied).

²⁰ Comments of Time Warner Cable, p. 28 (present system-by-system business model unlikely to cause growth of leased access programming).

2. An Initial Fixed Rate Structure Would Reduce or Eliminate Dispute Resolution Problems

14. Perhaps the best reason for adopting an initial fixed rate is advanced by the National Cable Television Association, Inc. in discussing the burden presented by the proposed reporting requirements.

While the FCC understandably wants cable operators to respond to requests in a reasonable timeframe, it would be difficult for cable operators confronted with a host of other business and regulatory obligations, to consistently and accurately respond within this timeframe

Comments on Information Collection Requirements of the National Cable
Television Association, Inc., p. 3. This burden, along with other well
documented burdens would be eliminated by a simple threshold rate that would
allow easy and substantial entry into the cable market by leased access
programmers. As noted in Blab TV's Comments, such a system would place the
decision to litigate in the hands of the party possessing the most information and
which is best suited to make that decision.

15. Both cable operators and programmers argue for simplicity in terms of both reporting requirements and dispute resolution mechanisms. Setting an initial fixed rate would solve entry problems on the side of the programmers; it would also let the cable operators make the choice to seek a rate increase. This would eliminate issues involving which party should pay for the accountant, it would hasten the entry of programming on the system without burdening the cable operator with artificial time constraints. In sum, the public would be served with programming while affording the cable operator the right to seek redress before the Commission.

D. Comments Demonstrate the Need for Long Term Contracts

programming recognize the need for long term cable carriage contracts.²¹ It is well established in this docket that quality programming takes investment and a long term commitment. This cannot be accomplished so long as a programmer has no idea from month-to-month or year-to-year, whether the programming being developed will actually be carried by the cable operator. Accordingly, Blab TV agrees with The Community Broadcasters Association that the Commission should require contracts to last an initial term of at least 5 years.

E. Leased Commercial Access Programmers Should Be Allowed to Resell Advertisements and Program Time at Market Rates

discretion to resell air-time on the channel that it leases. As noted in Blab TV's Comments, the local leased access programmer knows best how to serve the needs of its viewers. Indeed, it has paid for that right. Moreover, a programmer leasing a full-time 24 hour channel will need to have the discretion to sell some air time in order to most effectively serve those viewers. Saddling the leased access programmer with an additional regulatory burden would be detrimental to this emerging form of programming.

Comments of the Community Broadcasters Association, p. 9 (Commission should require contracts of at least 5 years); Comments of Ambassadors for Christ, p. 1 (short term contracts make leased access programmers vulnerable); Comments of Asiavision, Inc., p. 1.

II. CONCLUSION

18. This Commission has tried to ensure that local voices are not drowned out by the large, expanding, telecommunications firms that dominate the information highway.²² This is another area in which the Commission can foster the growth of programming that reflects local community interests and values. Blab TV believes that it is not at all "polyannaish" to give local individuals and businesses a voice on their cable system. If the Commission creates a simplified rate system that is conducive to establishing a rational business model, local programming could become a regular fixture on the video landscape, rather than a rarity.

WHEREFORE, Blab Television Network, Inc. respectfully requests that the Commission take action consistent with the views expressed herein by Blab Television Network, Inc.

May 31, 1996

Law Offices of Henry E. Crawford, Esq. 1150 Connecticut Avenue, N.W. Suite 900 Washington, D.C. 20036 (202) 862-4395 Respectfully Submitted,

Blab Television Network, Inc.

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Its Attorney

²² Cable system consolidation has put control of 60% of the country's cable systems in the hands of the top four MSOs. Video Information Providers for Non-discriminatory Access (VIPNA), p. 5.

Reply Comments of Blab Television Network, Inc. Exhibit 1 May 31, 1996

Exhibit 1



January 31, 1986

Fred Vigodsky BLAB TV 3257 Moffat Road Mobile, Alabama 36607

Dear Fred:

The BLAB Connection Campaign results were outstanding. I truly feel that BLAB's live call-in programming is aquisition oriented. As we discussed, most of our promotions involve our direct sales force going out soliciting for business. In the BLAB Connection Campaign we relied strictly on the media (newspaper, radio) and BLAB's programming to drive the campaign. As you already know, in a week period we added 311 new subscribers. Out of the 311 new subscribers 217 purchased additional services other than basic cable. The total units gained were 620 in the one week campaign. Although it has only been four (4) weeks since the campaign's end, the retention looks very strong. We will continue to track the 311 subscribers added in a search for retention trends.

I feel sure the strong local, live programming of BLAB TV will retain subscribers. Aquisition and retention are the two most critical areas of local cable systems and I would highly recommend to any cable system that they give strong consideration to carrying BLAB TV.

Once again, let me thank you and your staff for the new subscribers and the great programming you have placed in our market.

Sincerely

J. M. Walker

Sales & Marketing Manager

Reply Comments of Blab Television Network, Inc. Exhibit 2 May 31, 1996

Exhibit 2

CLIENT: BLAB TV SYSTEM: COX CABLE OF PENSACOLA DATE: JANUARY 23,24,28,29, 1986 TIME: 7:00-9:30PM (CT2)

STATION	X RTG	X SHR
BLAB	4.8	7
CNN	4.6	7
WTBS	3.6	5
WGN	1.0	1
USAN	0.2	#
MTV	0.6	1
TNN	3 -	
ESPN	0.4	1
нво	7.6	11
WEAR	19.7	29
WKRG	12.9	19
WALA	15.7	23
WPM1	2.8	4
WJTC	0.4	1
WPAN	1.0	1
ALL OTHER	2.0	3
HUT:	68	
ATTEMPTED CALI		692 602

= LESS THAN 0.5%

Reply Comments of Blab Television Network, Inc. Exhibit 3 May 31, 1996

Exhibit 3

Results

Nielsen Media Research

CLIENT: ATC

SYSTEM: PARAGON CABLE-ST. PETERSBURG

DATE: SEPTEMBER 15-21, 1987 TIME: 7:00 P.M.-11:00 P.M.-(ETZ)

DATA RETABULATION

STATION	RTG-%	SHR-%		STATION	RTG-%	SHR-%	STATION	RTG-%	SHR-%
WTSP	11.9	20	*	WTES	1.3	2	үн- 1	9.0	. •
wwsa	0.7	1		CPA	e. 0	0	HZT	0.0	0
WTVT	11.2	29		СИН	8.7	1	Hik	1.3	2
MXET	14.5	24		CYH	0.7	1	TWC	0.0	•
ACR	0.0	•		LOC	0.0	٥	тии	0.7	<u>.</u> 1
WFTS	2.0	3		DISCOVERY	1.3	2	USA	3.3	4
WTOG	4.0	7		ESPH	6.7	1	DISHEY	-0.0	a
WUSF	0,0	0		WLH	q. <i>7</i>	1	CINEMAX	0.7	1
WEDU	2.6	4		LIFETIME	0.7	1	нво	3.3	4
WGH	0.7	1		SCORE	0.0	9	THC	0.0	•
WWOR	0.0	0		PTL	0. 0	0	SHOWTIME	1.3	2
ALE	0.0	0		MTY	1.3	2	BLAB-TY	1.3	2

Blab-TV's audience ratings, as shown by this survey, exceed such nationally produced networks as CNN, ESPN, CINEMAX, The DISNEY CHANNEL and the superstations WGN out of Chicago and WWOR out of New York. Blab-TV has the same viewing audience level as WTBS, the superstation out of Atlanta, and close to that of the local independent WFTS channel 28. By combining the total subscriber base of Paragon Cable and Vision Cable which is over 210,000 homes, these rating numbers show us that BLAB-TV WOULD HAVE AN AVERAGE OF APPROXIMATELY 2,500 HOMES OR 5,000 - 8,000 VIEWERS TUNED IN TO ITS

Television Network....

TV you can talk back to.

Reply Comments of Blab Television Network, Inc. Exhibit 4 May 31, 1996

Exhibit 4

BLAB-TV Viewership Pensacola

Prepared for the Pensacola News Journal
December 1988

Frank N. Magid Associates, Inc. - Survey Research

EXECUTIVE SUMMARY

Attached is information taken from a survey prepared for the Pensacola News Journal in December of 1988. The research was done by Frank N. Magid Associates, Inc. and consisted of thousands of hours with the survey participants. The survey was conducted with residents of Santa Rosa County and Escambia County, Florida, as well as parts of Baldwin County, Alabama. Only adults were interviewed (over 18 years of age). The purpose of the interview was to determine readership and viewership of persons within the area of the Pensacola News Journal.

The results, as far as BLAB Television was concerned, were incredible. In fact, when the research information was given to the Pensacola News Journal, the spokesman for Frank N. Magid Associates, Inc. said that BLAB Television had to be a Pensacola phenomenon. In all of the years that they had conducted marketing research, they had never seen a local origination cable channel with the kind of results BLAB generated.

The total number of adults in the area surveyed were 259,000. Five and one-half percent of those people (approximately 14,250 adults) watched BLAB Television last night. This is especially significant when you realize that BLAB Television only reaches cable homes in Escambia County, and Gulf Breeze to Navarre in Santa Rosa County.

In summary, you could run a thirty-second commercial on BLAB Television and, at a cost of \$45.00 per commercial, it would cost you about one-third of one cent per adult viewer. There is not a better buy in the country.